

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7160

BILL NUMBER: HB 1360

NOTE PREPARED: Feb 25, 2009

BILL AMENDED: Feb 20, 2009

SUBJECT: Alternative Energy Incentives for REMCs.

FIRST AUTHOR: Rep. Battles

FIRST SPONSOR: Sen. Gard

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill establishes the Office of Alternative Energy Incentives (OAEI) within the Office of Energy Development (OED) to administer a program to provide incentives for Rural Electric Membership Corporations (REMCs) and their cooperatively owned power suppliers to develop alternative energy projects. It provides that either the director of the OED or the designee of the director of the OED shall serve as the OAEI's director. It establishes the Alternative Energy Incentive Fund to provide funds to REMCs for use in developing alternative energy projects. It requires the OAEI to administer the fund and to establish an account within the fund for each REMC. The bill gives the OAEI authority to adopt rules to implement the program.

The bill provides that not later than June 1 of each year, beginning in 2009, the Treasurer of State shall deposit into the Alternative Energy Incentive Fund an amount equal to 20% of the total Utility Receipts Taxes remitted to the state by REMCs during the preceding calendar year. It provides that not later than July 1 of each year, beginning in 2009, the OAEI shall: (1) allocate from the money deposited in the fund for the year; and (2) deposit into a REMC's account a part of the total money deposited in the fund, based on the REMC's proportionate share of the total Utility Receipts Taxes remitted by all REMCs during the preceding calendar year.

The bill sets limits on: (1) the maximum amount that may be credited to a REMC's account each year; and (2) the maximum balance that may accumulate in a REMC's account at any given time during a calendar year. It provides that not later than August 1 of each year, beginning in 2009, a REMC may apply to the OAEI to have access to a certain percentage of the total funds in the REMC's account as of July 1 of the year, based on the percentage of the REMC's total sales from the provision of retail energy service during the preceding calendar year that was attributable to alternative energy projects. It allows two or more REMCs

that are members of the same cooperatively owned power supplier to develop alternative energy projects jointly. It sets forth limitations on how money drawn from a REMC's account may be used.

The bill provides that any money that may become available to a REMC in connection with federal economic stimulus programs may not become part of the fund or an account within the fund without the consent of the REMC. It provides that a REMC shall have access to federal economic stimulus funds: (1) for the same uses; and (2) in accordance with the same processes as any other energy utility may have access to or use federal economic stimulus money.

The bill also makes an appropriation.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) *Office of Alternative Energy Incentives(OAEI)*: This bill establishes the OAEI within the Office of Energy Development (OED). The bill requires that the OAEI administer the Alternative Energy Incentive Fund (established in the bill), adopt rules governing the administration of the fund, and establish an account within the fund for each individual REMC. The increase in expenditures from this provision will be totally offset by the required reimbursement from the Alternative Energy Incentive Fund.

(Revised) *Office of Energy Development (OED)*: The bill establishes the OAEI within the OED. Any increase in expenditures to the OED likely will be offset by the required reimbursement from the Alternative Energy Incentive Fund.

Explanation of State Revenues: (Revised) *Alternative Energy Incentive Fund*: This bill is estimated to decrease revenue to the state General Fund by \$2.2 M to \$3.1 M annually. Under current statute, Utility Receipts Tax (URT) collections are deposited in the state General Fund. The bill provides that 20% of the total URT remitted to the state by REMCs during the preceding calendar year must be deposited in the Alternative Energy Incentive Fund not later than June 1 of each year.

The bill also provides that a REMC must provide consent before any money available to them from federal economic stimulus programs may become part of the Alternative Energy Incentive Fund, or an account within the fund.

Taxes: The rate for the URT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana and is deposited in the state General Fund. The tax is paid in quarterly estimates due on the 20th of April, June, September, and December with the last quarterly estimate being the annual return due on April 15th for a calendar-year taxpayer.

Background Information- This bill establishes a program to provide financial incentives to REMCs to develop alternative energy projects. The bill clearly defines projects that classify as "alternative energy projects". The provisions of this bill apply only to REMCs organized as local districts as defined in IC 8-1-13-23(b).

The bill requires that by July 1 of each year, the Treasurer of State is to allocate a fraction of the total URT collections to each REMC's individual fund. The fraction is based on the REMC's proportionate share of URT remitted by all REMCs during the preceding calendar year. This bill also provides that the maximum

amount that may be credited to a REMC's account each year is 20% of the amount of URT remitted by the REMC in the preceding calendar year. It also sets a maximum limit that may accumulate in a REMC's account at any time at five times the amount of URT remitted by the REMC in the preceding calendar year.

By August 1 of each year, a REMC may access up to 40% of the funds in its account upon certifying to the OAEI that alternative energy projects accounted for 5% or less of the REMC's total sales from the provision of retail energy service during the preceding calendar year.

The bill also provides that a REMC may have access to 70% of the funds in its account upon certifying to the OAEI that alternative energy projects accounted for 5% to 10% of the REMC's total sales from the provision of retail energy service during the preceding calendar year.

A REMC may have access to 100% of the total funds in their account upon certifying to the OAEI that:

- (1) alternative energy projects accounted for at least 10% of the REMC's total sales from the provision of retail energy service during the preceding calendar year;
- (2) at least 50% of the sales attributed to alternative energy projects were made to Indiana customers; and
- (3) at least 50% of the alternative energy projects that:
 - (A) accounted for at least 10% of the REMC total sales were for the provision of retail energy service during the preceding calendar year; and
 - (B) are energy production or generating facilities located in Indiana.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: OED.

Local Agencies Affected:

Information Sources: State Budget Agency, *Auditor's Trial Balance*; *Indiana Handbook of Taxes, Revenues and Appropriations*, Legislative Services Agency; Maureen Ferguson, Indiana Statewide Association of Rural Electric Cooperatives, 317-487-2228.

Fiscal Analyst: Diana Agidi, 317-232-9867; Jessica Harmon, 317-232-9854.